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MEMO TO: City Council

FROM: Lenda Crawford, Finance Director

DATE: March 16, 2004

SUBJECT: **STAFF REPORT: Financial Status Report for the year
ending December 31, 2003**

City financial policies require periodic financial reports that summarize activity by major fund type. Accordingly, this report summarizes the financial performance of the major City funds, including the General, Capital and Enterprise funds for the first twelve months of the 2003 – 2004 biennium.

Staff will be present at the March 16 Council meeting to answer any questions on the report. If you have questions prior to that time, please contact either Lenda Crawford at 425.556.2160 or Martin Chaw at 425.556.2165.

EXECUTIVE SUMMARY

Consistent with the assessment provided to Council at the end of the third quarter 2003, while signs of a strengthening economic recovery at the national level appear clearer, Washington's economy has not experienced any significant improvements. According to local economists, Washington's economic difficulties will dissipate more slowly than the rest of the nation due to Boeing's continued challenges and a slow recovery in the technology, bio-technology and e-commerce sectors. As a result, job growth and expansion in the Puget Sound region are expected to be relatively slower and less robust than most parts of the country. For example, at the end of 2003, the region's unemployment rate remained unchanged at 6.2% as compared to the same period last year while the national unemployment rate declined .3% to 5.7% during the same period. The unemployment rate for the state remained at 6.8%. Economists think that even continued hiring at Microsoft will not do much to lift regional employment numbers.

The region's weak employment market continues to restrain local spending and business investment and is having a commensurate impact on the City's operating revenues. For 2003, operating revenues, which exclude beginning cash, are below 2000 levels, as shown in the chart below.

Table 1: Historical revenues in General Fund excluding beginning cash

Year	Total Revenues	% Change from previous year
1999	\$47,224,150	
2000	50,621,451	7.19%
2001	47,370,194	(6.42%)
2002	48,000,152	1.33%
2003	49,733,914	3.61%
2003 excluding one-time payments	48,268,785	0.56%

Source: City's financial record

Contributing to the overall weakness in revenue growth are the City's economically sensitive revenues, which have been the hardest hit. Sales taxes, which account for over a third of the revenues for the General Fund, continue to remain at pre-1999/2000 levels. While there have been recent additions to the City's retail base, such as Bon-Macy's, Home Depot, Fred Meyer, Championship Motors, and Staples Office Supply, these gains have been mostly offset by a decline in business and construction-related spending. Development revenues continue to be weak, reflecting the slowdown in commercial construction. Interest earnings are down considerably due to lower cash balances and the cumulative effect of historically low interest rates for the past several years.

Cost containment measures, which the City has put in place to date, have been successful in ensuring expenditures remain within revenue limits; however, structural solutions may be necessary in the future should costs increase faster than revenues. Costs will continue to rise due to inflation, labor settlements, health benefit costs, and intergovernmental services such as jails and courts continuing to outpace inflation. On the other hand, revenue growth may be constrained by economic conditions, voter-approved tax limiting initiatives (e.g. Eyman's proposed 25% Property Tax Cut Initiative) and state-sponsored legislation (e.g. streamlining sales tax project). While Streamlining Sales Tax legislation did not pass this legislative session, this issue is expected to resurface in the 2005 legislative session.

Notwithstanding future issues, there are also immediate risks on the horizon that may create challenges. The City is currently in arbitration with its fire union, the outcome of which may greatly impact City expenses over and above the amounts included in the budget. In addition, if economic conditions do not improve substantially in 2004, this will place even greater pressure on the City's budget and may trigger a need to potentially access contingency funds. Included in the budget is a \$3.3 million contingency to serve as a hedge against further economic weakness.

Staff is closely monitoring the City's finances and will report back to the Mayor and Council as conditions warrant.

GENERAL FUND

At the end of 2003 the City continued to operate within its revenues. Excluding the beginning fund balance of \$5.0 million, revenues totaled \$49.7 million compared to expenditures of \$49.4 million. Economically sensitive revenues, which include sales taxes, development revenues and interest earnings, continued to come in lower than budgeted as no major pick-up in the local economy appeared in 2003.

Revenues: General fund operating revenues excluding the beginning fund balance was \$1.8 million or 3.4% below the projected budget of \$51.5 million. Major variances were noted in sales tax, utility taxes, development revenues, and interest. Compared to 2002, revenues have increased; however, this is mostly due to one-time audit adjustments for sales tax. Excluding these one-time payments, revenues are up only \$270,000 over 2002. It is important to note that overall revenues are running below 2000 levels when the City collected \$50.6 million. Highlights of revenue performance during 2003 include the following:

- **Beginning fund balance.** The General Fund started the biennium with \$5.0 million. This balance includes \$3.3 million that was set-aside in 2001 as an economic contingency. The remaining \$1.7 million represents funding for labor contracts that did not settle by the end of 2002. These monies were carried forward to the 2003-04 biennium and were set-aside for the same purposes.
- **Sales tax** revenues, the City's single largest revenue source representing one third of General Fund revenues, totaled \$16.5 million, and is 2.6% below budget. (Please note that after adjusting sales tax revenue for one-time audit payments received, sales tax collections were only \$15 million for 2003.) This is lower than the amounts collected in both 1999 and 2000, when the City collected \$16.7 million and \$17.4 million respectively. While gains were seen in the retail and wholesale sectors following the addition of new stores in the City such as Home Depot and Bon Macy's, these gains were offset by a continued weakness in business and construction-related spending.

The following table shows how Redmond's sales taxes have performed relative to surrounding jurisdictions. The table does not include large one-time audit payments received by Redmond and Kirkland during 2003.

**Table 2: Percentage Change in Sales Taxes
Collected for Jan – Dec 2003 vs. 2002**

Jurisdiction	% Change
Renton	6.4%
Kirkland (excluding audit adj.)	5.0%
Tukwila	4.5%
Redmond (excluding audit adj.)	1.1%
Unincorporated King Co.	-0.7%
Bellevue	-1.3%
Seattle	-2.5%
Bothell	-5.5%

Source: State Department of Revenue

- **Property tax**, the City's second largest and most stable revenue source, totaled \$9.7 million and is within expectations.
- **Utility tax** revenues are 6.6% or \$600,000 below budget at this point. Declines have been seen in electric, telephone, and natural gas utility tax collections. This decline is a combination of a general weakness in commercial construction, a decrease in natural gas rates and a drop in consumption as a result of a warmer winter.
- **Development fees** remained weak and totaled \$3.3 million in 2003 compared to \$4.4 million the previous year. These revenues have continued to decline due to continuing weakness in commercial and multi-family development. Revenues from commercial building permits and multifamily building permits are down 49% and 59% respectively compared to 2002. Engineering plan check fees, which are an indicator of future commercial and multi-family developments, were extremely low totaling \$80,000 in 2003 as compared to \$820,000 in 2002. Partially offsetting these declines was continued strength in residential construction building permits, whose revenues were up 30% over 2002. Overall, development fees to date are \$580,000 or 15% below budget.
- **Intergovernmental revenues** are on target at \$8.3 million. This category includes payments from Fire District 34, King County emergency medical services and state shared revenues such as motor vehicle fuel taxes and liquor sales.
- **Business license and business license penalty revenues** totaled \$1.3 million, and were \$525,000 above budget. The increase is mainly due to the culmination of a major audit in 2003 that uncovered underreporting of employees in prior years.
- **Investment interest** totaled \$365,000, or \$860,000 below budget. Interest earnings for the General Fund have declined considerably between 2002 and 2003. This is due to two reasons:
 - 1) An overall drop in the City's investment portfolio earnings as higher yielding investments mature and are replaced with lower interest ones. Between 2002 and 2003, the City experienced approximately a 35% decline in portfolio earnings as the average investment rate for the portfolio declined from 3.82% in 2002 to 2.54% in 2003.

- 2) Interest allocations to the General Fund are directly affected by balances in other funds such as the Utilities, CIP, etc. As those fund balances rise faster than the fund balance in the General Fund, they receive a larger share of the interest earnings. Between 2002 and 2003, the General Fund cash balance declined by approximately one-third, reducing significantly the amount of interest paid to this fund.

General Fund Expenditures

While General Fund operating revenues totaled \$49.7 million, operating expenditures were \$49.4 million. As you can see, there is only a small margin between revenues and expenditures signifying tight times ahead as we move into 2004. In order to live within its means, the City reduced its expenses in 2003 by approximately \$3.7 million or 3.6% compared to budget. Expenditure growth has remained relatively low over the last four years as the City continues to reduce expenses wherever possible in response to a sluggish economy and public safety labor settlements that have not yet been paid for 2001-2003.

Expenditure savings are primarily occurring in salaries as the City continues to scrutinize and hold open vacant positions. Savings are also occurring in departmental operating categories such as professional services, supplies and equipment. Expenditures in these categories were 12% lower than in the same period last year and 16% lower than the budgeted amount.

Partially offsetting the savings are overtime expenditures that are running approximately \$394,000 over budget primarily due to higher than expected overtime in Fire and Police. Police had 5 positions open on average in 2003 requiring the need for overtime that was more than offset by salary savings. Fire overtime has been high for several years. Fire Department management is working with the Fire District 34 Commissioners and the union to address this issue.

As a rule of thumb, no department budget should be over 50% spent at this point in the biennium. As shown in the table below, departmental expenditures range from a low of 38% in Non-departmental to a high of 51% in Fire. Fire over-expenditures are directly attributable to overtime costs.

Table 3: Percentage of 2003-04 Biennial Budget Spent

Department	% Spent
Fire	51.2%
Police	47.2%
Non-Departmental	38.3%
Public Works	48.2%
Finance and IS	47.0%
Planning	43.9%
Parks and Recreation	46.0%
Human Resources	43.5%
Legal	46.8%
Executive	47.7%
Legislative	39.6%
Total: Citywide	46.4%

Source: City Financial Records

ENTERPRISE FUNDS

Water/Wastewater (WWW) Utility: Overall, the WWW Utility is operating within expectations. During 2003, the Utility retired its outstanding revenue bonds consistent with the recommendations included in the 2002 rate study. Excluding revenues from the debt retirement, revenues are slightly ahead of budget due to an increase in water consumption over 2002 levels. Water consumption increased by 7.7% when compared to the same period 2002 as a result of a warmer than expected summer. Expenditures are on target for the year excluding one-time expenditures of \$2.8 million related to the retirement of the outstanding debt.

From a financial statement perspective, the Utility saw an improvement in its operating position as its operating income for 2003 increased from \$164,000 to \$397,000. The improvement in the Utility's operating position is the result of an increase in water rates authorized in 2002 and a continued increase in water consumption following the drought in 2001.

Expenditures in the Water/Wastewater Construction Fund totaled \$5.6 million or 26.2% of budget and compares to \$2.1 million or 11.1% for the same period in 2002. The increase in expenditures can be attributed to increased design and construction activity for projects including the reconstruction design of well number 5, water quality improvements on wells number 1, 2, and 3, NE 80th Street/135th Avenue/83rd Street main replacement, and Phase 1 of the meter vault/Pressure Reducing Valve (PRV) upgrade. Significant projects completed in 2003 include the rehabilitation of sewer pump station number 4, and miscellaneous water system improvements.

Stormwater Management (SWM) Utility: The SWM Utility ended 2003 very close to budget. The Utility recorded \$8.9 million in revenues including the beginning cash balance and expenditures of \$7.2 million. Excluding cash, rate revenues, which are designed to pay for ongoing operations as well as contributions to the CIP, totaled \$7.0 million. Although expenditures exceeded rate revenues by \$200,000 in 2003, this was anticipated and is a direct result of the Council adopting a 5-year rate stabilization program for this Utility effective January 1, 2000 through December 31, 2004.

Under this program, storm water rates were set at an average rate that was designed to generate sufficient revenues over a 5-year period to support operational and capital needs. Because rates were based on an average, it was anticipated that in the early years of the rate period that revenues would exceed expenditures, resulting in a build-up of cash that would be available in future years to support the Utility as the cost of the capital projects and operations grew while revenues remained relatively stable. 2003 represents the fourth year of the rate plan and is the first year in which expenditures have actually exceeded revenues and the fund balance has been used. It is important to note that the Stormwater Utility's beginning cash balance at \$1.9 million exceeds minimum operating and reserve requirements of \$843,000 and will be more than adequate together with rate revenues to sustain the Utility through the end of 2004. A rate study is currently underway to determine the Utility's future revenue requirements beginning in 2005. The results of this study will be presented to the Council during the summer of 2004.

It is also important to note that from a financial statement perspective, the Utility has experienced a significant change in its operating position as operating expenses continued to grow while rate revenues remained relatively stable. The Utility's operating income declined from \$1.2 million in 2002 to \$357,000 in 2003. This change is the result of higher expenditures in 2003 due to the filling of vacant positions, labor settlements, depreciation and more labor being charged to operations as a result of project delays in the Utility's CIP program as discussed below.

Expenses for the Stormwater Management Construction Fund totaled \$1.4 million or 12.2% of the biennial budget, compared to \$3.5 million or 40.3% of budget for the same period in 2002. The decline in expenditures was the result of projects being delayed because of SEPA and the US Fish and Wildlife permitting and design issues. Delayed projects included the Sammamish River/Bear Creek Habitat and NE 87th Street culvert improvement. Despite these delays, significant accomplishments were made in 2003, which include rehabilitation of Idylwood Stream, completed construction of the Welcome Park retention pond, and continued construction design for the third phase of the rehabilitation of Upper Peters Creek.

Urban Planned Development (UPD) Utility: The UPD Utility is also operating within expectations. Revenues are running 4.8% above budget and are the result of the continued strong pace of growth in the master planned development and the Trilogy Golf Course which opened for business in mid 2003. Overall, water consumption within the community increased by 137.5% when compared to 2002. At this time, 97% of the water sales in the community is attributable to residential, irrigation of parks and other common areas, and the Trilogy Golf Course. Water sales from commercial construction remain low as most of these projects have not yet started. Revenues from water meter installations and the UPD depreciation rate surcharge are each up by about 15%. The UPD Depreciation Surcharge was agreed to with the Developer in late 2002 as a mechanism to recover costs to replace assets within the development area in the future. While growth in the community has resulted in higher water purchases than expected, this was offset by lower than expected costs in other areas.

From a financial statement perspective, the Utility's operating position improved from a net loss of \$22,000 in 2002 to a net loss of \$11,000 in 2003. As a result of the increasing numbers of residents and businesses in the community, we expect that the Utility will begin generating operating income in the next few years.

Expenditures for the Urban Planned Development Construction Fund totaled \$620,000 or 19.3% of budget compared to \$73,000 for the same period in 2002. The increased expenditures are due to payment of the Regional Capital Facility Charge to the Cascade Water Alliance, of which the City of Redmond is a member.

CAPITAL INVESTMENT PROGRAM (CIP)

Overall, revenues are coming in stronger than expected and projects are proceeding without major delays. Significant accomplishments include construction activity for several major projects throughout the City including the construction of Perrigo Park, 140th Avenue and West Lake Sammamish Parkway. The following is a summary of the CIP's major revenue sources and expenditure activities.

- **Real Estate Excise Tax (REET)** ended the year strong with 2003 revenues totaling \$2.9 million or \$800,000 over the 2003 budget of \$2.1 million. The pattern of current collections is consistent with 2002 trends, showing weakness in the first two quarters then rebounding during the summer and fall months. Historically low mortgage interest rates continue to fuel the housing market and thus, this revenue source.
- The City received \$4.3 million in **Business Tax** revenues in 2003, with actual collections surpassing projections by \$800,000 or 25%. The increased number of employees working in Redmond and the completion of a major audit in 2003 has had a positive impact on this revenue source.
- At the end of 2003, **Impact Fee** revenues totaled \$2.6 million or 50% collected. While impact fees are within expectations, transportation impact fees are lower than anticipated at this point in the biennium as these fees are tied closely to the commercial building market. Offsetting this decline were impact fee receipts for the Parks and Fire CIP, which are more closely tied with the residential housing market. Impact fees can vary significantly from month to month as the City receives these revenues once development is complete.
- The City anticipated collecting approximately \$800,000 in **Vehicle Registration Fees** during the 2003-2004 biennium. However, Initiative 776 repealed the \$15 local option vehicle license fee, eliminating this revenue source. The total estimated loss between 2003-2008 in the Transportation Capital Investment program is \$2.4 million. Vehicle registration fees represent approximately 3.5% of overall transportation CIP revenues.

Expenditures in the City's Capital Investment Program totaled approximately \$35 million or 41% of budget with the largest expenditures occurring in the Transportation and Parks functional areas, each spending 48% and 49% of their biennial allocations, respectively. Significant progress was made on a number of CIP projects as discussed below.

At the end of 2003, expenditures in the **Parks functional area** totaled approximately \$9 million or 49% of their \$18.2 million budget. Parks continues to make significant progress on the construction of Grass Lawn and Perrigo Parks. Other projects in development and/or under construction include Bear Evans Creek, Teen Center Renovation, Firefighter's Plaza and the Old Redmond Schoolhouse Community Center (ORSCC) parking lot and landscaping. In addition, Coast Guard Park, including the gazebo, will be completed this summer.

Total 2003 expenditures in the **Transportation functional area** equaled \$22.6 million or 48% of their \$46.2 million budget, substantially higher than 2002 expenditures. The West Lake Sammamish Rehabilitation and NE 40th/148th Avenue NE Intersection Improvements are substantially complete. A number of projects have begun and are in various stages of construction including West Lake Sammamish - NE 51 Street to Marymoor, 140th Avenue NE Sidewalks and 166th Avenue NE Improvements.

Expenditures in the **Fire functional area** are consistent with prior years, spending 13% or \$263,000 of the biennial budget. Progress has been made toward the station security and records management projects. Expenditures are anticipated to increase in 2004 with the completion of the Station 12 roofing project and the purchase of a new aerial ladder truck.

Police functional area expenditures are at \$88,000 or 2.8% of budget. Expenditures to date reflect continued progress on Homeland Security, mobile data terminal and criminal justice integration projects. Approximately \$2.2 million of the \$3.1 million budgeted in the Police CIP is being held in reserve for the future replacement/renovation of the Public Safety Building as well as to remodel the Finance Department space once the new City Hall is built.

The majority of the \$3.1 million of expenditures in the **General Government functional area** reflected interfund transfers and contributions toward affordable housing projects. In late 2002, Council approved the expenditure of \$140,000 toward the rehabilitation of a 66-unit apartment complex in Kirkland in conjunction with A Regional Coalition for Housing (ARCH). Similarly in 2003, additional funds were used to support the 18-unit Chalet apartments in Eastgate and the ARCH demonstration project for accessory dwelling units (ADU). In addition, \$327,000 in affordability payments from the Coast Guard Housing site was transferred out of the Housing Trust Fund to payback the Parks, Transportation and Water/Wastewater CIP funds that waived impact fees for the Transit Oriented Design development in Overlake.

INVESTMENTS

The City's investment portfolio continued to meet the primary objectives of the investment policy: safety of principal, liquidity of funds, and attaining a market rate of return given the risk constraints and diversification guidelines. The investment portfolio declined from \$108.7 million at the beginning of 2003 to \$105.9 million at the end of the year, a 2.6% decrease. The portfolio's decrease can be attributed to spending related to capital projects as well as continued lower revenue receipts and investment interest.

Table 4 below provides a snapshot of the City's portfolio and performance at December 31, 2003.

Table 5: Summary of City's Investment Portfolio and Performance

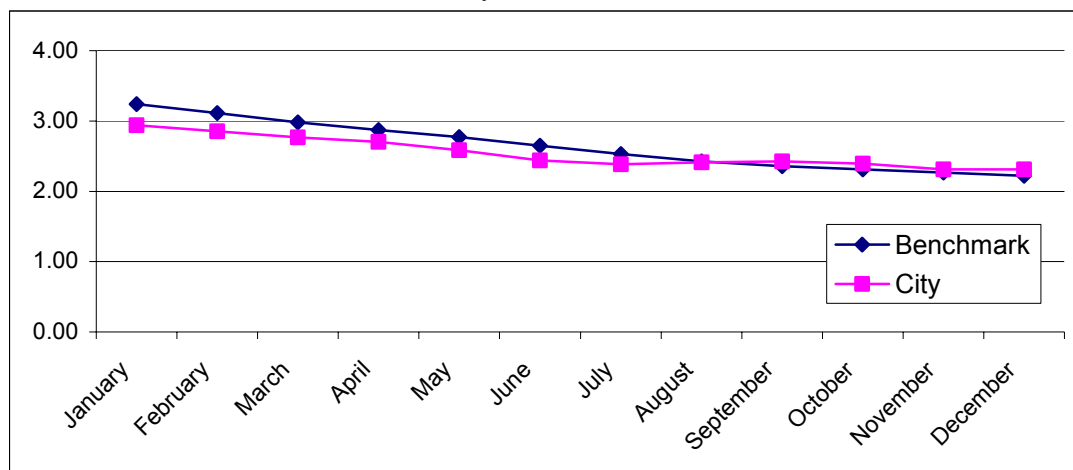
	Book Value	Percentage of Portfolio	Average Days to Maturity	Average Yield To Maturity
State Investment Pool	\$5,899,790	5.6%	1	1.09%
Certificates of Deposit	\$40,912,869	38.6%	209	2.07%
Federal Agency Issues	\$54,092,651	51.1%	610	2.56%
Federal Agency Discount Issues	\$2,344,105	2.21%	178	3.93%
Money Market Fund	\$2,625,820	2.48%	1	N/A
Total and Average	\$105,875,235	100.00%	397	2.31%

Source: City Financial Records

The City currently benchmarks its portfolio to the 2-year average of the 2-year Treasury Note. During 2003 the City earned an average interest rate of 2.54% versus the benchmark average of 2.65%. Although the annual average shows the City slightly under performing its benchmark for the year, during the last four months the City actually exceeded the benchmark. For the months of September through December the City earned an average interest rate of 2.36% versus the benchmark's average of 2.29%. The City anticipates continuing to meet or exceed its benchmark in 2004.

Exhibit 2 below compares the City's rate of return to the benchmark.

**Exhibit 2: Portfolio Benchmark Comparison
January 2003– December 2003**



Appendix

General Fund Revenues and Expenditures
For the Twelve Months Ending December 2003

REVENUE COLLECTIONS	2003-04 Budget	2003 Jan-Dec	% Received	2002 Jan-Dec
Beginning Fund Balance	\$ 1,662,829	\$ 5,037,773	303.0%	\$ 0
Sales Taxes	34,950,000	16,507,770	47.2%	14,874,804
Sales Tax on Construction	(2,200,000)	(1,100,004)	50.0%	(1,100,004)
Sales Tax - Criminal Justice	1,940,000	876,576	45.2%	868,562
Property Taxes	20,076,000	9,725,892	48.4%	9,428,342
Utility Taxes				
Electricity	7,394,000	3,419,905	46.3%	3,301,652
Telephone	7,447,000	3,335,502	44.8%	3,254,921
Natural Gas	1,998,000	636,107	31.8%	820,313
Garbage Collection	921,000	564,275	61.3%	283,966
Cable Television	904,000	602,096	66.6%	414,245
Subtotal: Utility Taxes	18,664,000	8,557,884	45.9%	8,075,097
Development Fees	7,924,000	3,262,200	41.2%	4,438,754
Intergovernmental				
Fire & Emergency Services	9,565,350	4,608,513	48.2%	4,520,815
Overhead Fees	4,820,983	2,325,325	48.2%	2,184,707
Motor Vehicle Fuel Taxes	1,366,000	655,200	48.0%	701,639
Motor Vehicle Excise Taxes	0	0	0.0%	0
Liquor Profits & Taxes	812,000	454,494	56.0%	409,010
Federal/State/Local Grants & Pay	422,325	236,541	56.0%	488,472
Subtotal: Intergovernmental Revs	16,986,658	8,280,072	48.7%	8,304,643
Other				
Transfer from Reserves	537,069	537,069	100.0%	0
Investment Interest	2,450,000	372,033	15.2%	939,636
Business Licenses	1,567,000	940,493	60.0%	726,872
Business License Penalties	60,000	394,587	657.6%	37,381
Admissions Tax	903,000	465,122	51.5%	456,474
Fines and Forfeitures	294,000	219,854	74.8%	251,575
Licenses and Permits	132,700	108,814	82.0%	115,302
Other	508,821	585,551	115.1%	582,715
Subtotal: Other	6,452,590	3,623,524	56.2%	3,109,954
TOTAL REVENUES	\$ 106,456,077	\$ 54,771,687	51.5%	\$ 48,000,152

DEPARTMENTAL EXPENDITURES	2003-04 Budget	2003 Jan-Dec	% Spent	2002 Jan-Dec
Fire	\$ 21,524,868	\$ 11,016,726	51.2%	\$ 10,667,980
Police	19,892,310	9,393,356	47.2%	9,662,942
Non-Departmental	14,559,060	5,569,755	38.3%	5,711,405
Public Works	16,065,653	7,744,149	48.2%	7,472,843
Finance and IS	10,128,376	4,763,326	47.0%	4,630,728
Planning	10,856,523	4,760,654	43.9%	4,845,452
Parks and Recreation	9,023,642	4,151,959	46.0%	4,054,357
Human Resources	1,732,946	754,091	43.5%	808,408
Legal	1,359,133	635,669	46.8%	570,920
Executive	998,710	476,629	47.7%	432,444
Legislative	314,856	124,757	39.6%	158,194
TOTAL EXPENDITURES	\$ 106,456,077	\$ 49,391,071	46.4%	\$ 49,015,674

City Utilities Operating Budget Summary
Twelve months ending December 31, 2003

Water / Wastewater Utility	2003-04 Budget	2003 Jan - Dec	% of Budget	2002 Jan - Dec
Beginning Fund Balance	1,941,216	1,689,630	87.0%	n/a
Engineering Fees	556,000	240,151	43.2%	363,161
Water & Sewer Rate Revenues	21,884,483	11,177,672	51.1%	9,894,709
Metro Sales	13,726,710	6,991,990	50.9%	7,051,661
Other Revenues	278,500	381,061	136.8%	293,918
Transfer From CIP (Debt Retirement)	2,283,000	1,863,009	81.6%	-
Total Revenues from Operations	38,728,693	20,653,883	53.3%	17,603,449
Total Resources including Beginning Fund Balance	40,669,909	22,343,513	54.9%	17,603,449
Operating Expenditures	10,134,030	5,027,009	49.6%	4,617,793
Metro Wastewater Treatment	13,726,710	6,991,993	50.9%	7,051,661
Water Purchases	6,364,274	3,080,093	48.4%	2,645,599
WWW Revenue Bonds Debt Service	2,855,000	2,820,000	98.8%	-
Transfer to General Fund	2,555,213	1,210,636	47.4%	1,341,276
Transfers to CIP	3,787,639	1,915,252	50.6%	1,915,253
Total Expenditures before Ending Fund Balance	39,422,866	21,044,983	53.4%	17,571,582
Ending Fund Balance	1,247,043	n/a		n/a
Total Expenditures including Ending Fund Balance	40,669,909			
Operating income/(Loss)		397,169		163,595

Stormwater Mgmt Utility	2003-04 Budget	2003 Jan - Dec	% of Budget	2002 Jan - Dec
Beginning Fund Balance	1,925,644	1,925,644	100.0%	n/a
Engineering Fees	200,000	106,497	53.2%	113,532
SWM Rate Revenue	10,526,000	5,052,450	48.0%	4,988,274
CIP Surcharge	3,716,000	1,783,499	48.0%	1,760,941
Other Revenue	40,200	34,117	84.9%	62,025
Transfer from GF	0	0	0.0%	762
Total Revenues from Operations	14,482,200	6,976,562	48.2%	6,925,533
Total Resources including Beginning Fund Balance	16,407,844	8,902,206	54.3%	6,925,533
Operating Expenditures	7,149,272	3,546,589	49.6%	2,707,788
Transfers to GF	1,623,333	853,846	52.6%	757,225
Transfers to CIP	5,845,890	2,815,449	48.2%	2,865,337
Total Expenditures before Ending Fund Balance	14,618,495	7,215,884	49.4%	6,330,350
Ending Fund Balance	1,789,349	n/a		n/a
Total Expenditures including Ending Fund Balance	16,407,844			
Operating income/(Loss), excluding CIP surcharge		356,972		1,165,511

UPD Utility Operating Budget Summary
Twelve months ending December 31, 2003

UPD Utility	2003-04 Budget	2003 Jan - Dec	% of Budget	2002 Jan - Dec
Beginning Fund Balance	330,614	1,294,416	391.5%	n/a
Engineering Fees	802,000	312,720	39.0%	491,685
Water & Sewer Rate Revenue	1,839,555	1,104,415	60.0%	623,391
Metro Sales	642,083	240,395	37.4%	121,987
Other Revenue	538,877	354,498	65.8%	(439,441)
UPD Depr Rate Surcharge	627,499	425,725	67.8%	362,725
Total Revenues from Operations	<u>4,450,014</u>	<u>2,437,753</u>	<u>54.8%</u>	<u>1,160,347</u>
Total Resources including Beginning Fund Balance	4,780,628	3,732,169	78.1%	1,160,347
Operating Expenditures	2,026,692	825,712	40.7%	759,418
Metro Wastewater Treatment	529,387	240,394	45.4%	121,987
Water Purchases	455,000	440,383	96.8%	229,829
Transfer to CIP	1,422,386	639,212	44.9%	288,094
Total Expenditures before Ending Fund Balance	4,433,465	2,145,702	48.4%	1,399,328
Ending Fund Balance	<u>347,163</u>	<u>n/a</u>		<u>n/a</u>
Total Expenditures including Ending Fund Balance	4,780,628			
Operating income/(Loss)		(10,524)		(21,722)

**Capital Improvement Program Revenues and Expenditures
For the Twelve Months Ending December 2003**

REVENUE CATEGORIES	2003-04 Budget	2003 Jan-Dec	% Received	2002 Jan-Dec
General Fund	\$ 5,784,089	\$ 2,963,829	51.2%	\$ 3,373,835
Real Estate Excise Tax (REET)	4,230,000	2,988,187	70.6%	4,992,375
Sales Tax on Construction	2,200,000	1,100,004	50.0%	1,100,004
Business Tax	6,751,116	4,341,418	64.3%	3,135,345
Impact Fees	5,191,000	2,567,900	49.5%	2,642,793
Private Contributions	562,529	1,498,622	266.4%	3,711,907
Federal/State Grants	6,030,126	1,264,436	21.0%	724,140
Investment Interest	2,388,003	1,214,518	50.9%	2,392,353
City Campus Project Revenue [1]	3,494,659	0	0.0%	0
Vehicle registration fees - local Option	800,000	9,992	1.2%	411,069
Half-cent motor vehicle fuel tax	624,000	306,350	49.1%	279,164
Parks Bonds Loan Proceeds	3,550,000	3,698,472	104.2%	0
Operating Transfers	12,824,557	9,592,670	74.8%	1,473,102
Other Revenue [2]	804,396	2,220,262	276.0%	602,238
Major Revenue Source Subtotal	55,234,475	33,766,660	61.1%	24,838,325
Beginning Fund Balance	48,062,573	47,865,222	99.6%	0
TOTAL CIP REVENUES	\$ 103,297,048	\$ 81,631,882	79.0%	\$ 24,838,325

[1] Reflect LID Guaranty Fund resources.

[2] Other revenue includes interfund transfers, intergovernmental revenue, and rental from parks houses.

CIP FUNCTIONAL AREA EXPENDITURES	2003-04 Budget	2003 Jan-Dec	% Spent	2002 Jan-Dec
Fire CIP	\$ 1,963,541	\$ 263,603	13.4%	\$ 295,222
Transportation CIP	46,248,643	22,587,546	48.8%	11,370,979
Parks CIP	18,274,705	8,968,439	49.1%	3,042,133
General Government CIP	15,632,704	3,122,504	20.0%	2,176,038
Police CIP	3,173,690	88,654	2.8%	79,252
Total CIP Expenditures Subtotal	85,293,283	35,030,746	41.1%	16,963,624
Ending Fund Balance	18,003,765			
TOTAL CIP EXPENDITURES	\$ 103,297,048			